



Circular Economy – February 2016

Comments on An EU action plan for the Circular Economy Dec. 2, 2015

At H&M we are convinced that the transition from a linear to a circular economy is necessary to tackle the global challenges linked to unsustainable use of finite natural resources.

As one of the world's largest fashion retailers, H&M has the potential to fundamentally shift the extent to which the clothing sector restores and regenerates fabrics and fibres for productive use.

Taking the perspective that both the paper and textile industries are fibre-based, with the paper industry already having come a long way in terms of recycling, a substantial opportunity exists for the clothing sector to emulate this success and to take it much further when it comes to keeping biological and technical-based fibres in circulation, at high quality. H&M is committed to taking a leading role in these regenerative practices.

Our vision is a fully sustainable resource flow for both commercial and non-commercial goods. This means to maximize the use of recycled materials and complement our input needs with material that has been sustainably sourced.

What we already do at H&M

H&M was the first fashion company to launch a **global garment collecting initiative**, encouraging our customers to be part of closing the loop by handing in used garments in our stores. Thanks to this programme launched in 2013 we have access to post-consumer waste textile or rather as we see it, resources, which we can sort, reuse or recycle. This is a field in constant evolution where we see many opportunities for the future. We think this program is a good example of best practice when it comes to end-of-life treatment of products and voluntary producer responsibility in the garment sector.

Through engaging in **strong partnerships** we believe we can maximize our work and increase the scope of our possibilities. We are for instance proud of being a Global Partner to the **Ellen MacArthur Foundation** and to support advancing technology for textile-to-textile recycling through collaboration with U.K.-based innovation company **Worn Again**. We are also engaged in the **MISTRA Future Fashion** that focuses on circular economy via four main areas: Design, Supply chain, Consumer and Recycling.

This year, the **H&M Conscious Foundation** also launched the first ever **Global Change Award** which reward with a €1 million grant pioneering ideas for closing the loop in fashion.

Our comments to the EU Action Plan for the Circular Economy

We welcome the main objectives of the Circular Economy Strategy as presented by the EU Commission¹ earlier this year and the Circular Economy Package as of Dec. 2d.

We would like to seize this opportunity of dialogue with the EU to insist on the urgent need to address some of the barriers to circular economy and hope for concrete measures: (Headlines and order as in EU Action Plan)

Consumption:

When different labelling systems for energy or social impact are discussed, H&M wants to push for one standard that includes both social and environmental aspects – **HIGG**.

Waste Management:

It is of importance to discuss the 'ownership' of waste under 'guidance on best waste management'. In some national requirements, waste is owned by municipality and that is causing us some challenges, for example:

- In Germany we have a nationwide notice of exemption issued by the Hamburg authorities which allows H&M to practice Product Producer Responsibility by taking back used garments also from other brands/retailers. Anyhow, one small German community (Krefeld) claimed for unlawfulness of the notice of exemption and sued the Hamburg authorities in 2014. Hence there is an ongoing law case in Germany.

From Waste to Resources:

'Make waste to new resources – secondary raw material'. This goes hand in hand with the H&M philosophy. Post-consumer textile waste need to be reclassified as resources. Today we encounter challenges with 1. the handling and 2. trade barriers because of the classification as waste. A reclassification would ease the handling, trading, cross-border circulation, in a country, within EU and outside of EU.

- In Romania waste needs a special transport vehicle, which prevents us from using our normal logistics to and from our stores. This requires extra resources and creates unnecessary energy use and emissions.
- The markets where there is strong capability of recycling old garments into new garments, for example China and Turkey, have import restrictions against post-consumer textile. This means that we cannot use their great capability and close our loop.

Non-toxic/chemicals in secondary raw material is important to control and test, especially when it goes to mechanic recycling. We see that ideally this should be taken care of when the material is produced the first time. Chemical recycling technologies of textiles-to-textiles, under development, will bring greater potential to remove chemical impurities. The challenge of ensuring safe secondary raw materials should not make us avoid closing the loop for textiles. We have to find ways to solve it.

Innovation, investment, and other horizontal measures:

We also welcome the fact that the EU acknowledges in its strategy a need for more innovation and we encourage more innovations within the textile industry, especially for:

- New sustainable materials – The world needs new sustainable materials and textile fibers from abundant renewable natural resources.

¹ EU Roadmap - Circular economy strategy- 04/2015

- Sorting of garments - Lack of technology on commercial level for automated sorting is indeed one part that is really holding us back from closing the loop on a large scale.
- Recycling - We encourage innovation on recycling technologies that can
 - Produce fibres equal to virgin.
 - Recycle different material mixes of for example cotton and polyester.
 - Get rid of unwanted chemicals in the materials.

H&M wants to contribute

As Circular Economy is of great importance to H&M, we want to be part of the development of:

- ECO Design Directive for textile
- Extended Producer Responsibility – we see today examples of how different countries come up with their own ways, for example:
 - France implemented 2008 Extended Product Responsibility where the producer is paying an amount per piece of product put to the market. But even though H&M is taking responsibility we still have to pay. Where is the incentive?
 - In Croatia retailers above a certain size has to implement a take back scheme, which makes our entire collecting process very easy.
- EU-wide quality standards for secondary raw materials

In general, H&M is happy to share its experience and know-how regarding Closing the Loop and Circular Economy.

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H & M Hennes & Mauritz AB (publ) was founded in Sweden in 1947 and is quoted on Nasdaq Stockholm. H&M's business idea is to offer fashion and quality at the best price in a sustainable way. In addition to H&M, the group includes the brands & Other Stories, Cheap Monday, COS, Monki and Weekday as well as H&M Home. The H&M Group has more than 3,900 stores in 61 markets including franchise markets. In 2015, sales including VAT were SEK 210 billion and the number of employees is more than 148,000. For further information, visit hm.com.